

# Action Construction – ADD

17 June 2025

Management  
meeting



## Weak 1Q but well placed for growth

Following a strong FY25, 1QFY26 would be weak impacted by 7-9% price increase due to CEV-5 norms. 2HFY26 should be stronger and help drive ~15% growth for FY26. Management is further targeting revenue of Rs44-45bn for FY27 and Rs60bn for FY29. Incremental defence orders and potential ADD (for crawler & truck cranes by Aug/Sep'25) could boost growth. Further upside should come from operationalisation of JV in FY27 once data collection for ADD is completed. With 15% revenue Cagr over FY25-27, ~14% margin, a net cash balance sheet and 20%+ ROE, stock remains well placed and we value at 35x PER FY27.

**Modest growth in near term:** Due to implementation of CEV-5 norms from Jan'25 and ACE entering FY26 with all new equipment, 1HFY26 should be weak, given the time taken by customers to accept the 7-9% blended price increase. ~60% products (CEV-3 earlier) should see 12-13% impact and 40% products (CEV-4 earlier) 5-6% impact. Management expects 2HFY26 to be much stronger, following product acceptance and seasonally strong 2H. With 14-15% growth in FY26, company is targeting Rs44-45bn Rev in FY27 and Rs60bn by FY29.

**Defence and ADD to boost growth:** Post bagging Rs4.2bn defence order for 1121 rough terrain forklift, the company remains optimistic for various upcoming defence opportunities. Of this, Rs1.7bn would be executed in FY26. With ongoing ADD investigation, management expects implementation by Aug/Sep'25 and has potential to make 400 truck cranes and crawler cranes. Currently 50-70 such cranes were sold in 4QFY25 worth Rs700mn. Due to ongoing investigations, company has paused the operationalisation of JV with Kato due to maintenance of data records in ACE entity. It should start operations from FY27 vs 2HFY26 earlier.

**Strong 4Q and attractive valuation:** 4QFY25 registered 11% volume growth and in-line 15% revenue growth with a higher, 17% margin. With revenue Cagr of ~15% over FY25-27, assuming stable margin at 14-15% and 20%+ ROE, we value it at 35x PER FY27 at Rs1359. The profits from JV and increase in export would drive further upside.

## Company update

CMP	Rs1188
12-mth TP (Rs)	1359 (14%)
Market cap (US\$m)	1,643
Enterprise value(US\$m)	1,633
Bloomberg	ACCE IN
Sector	Infrastructure

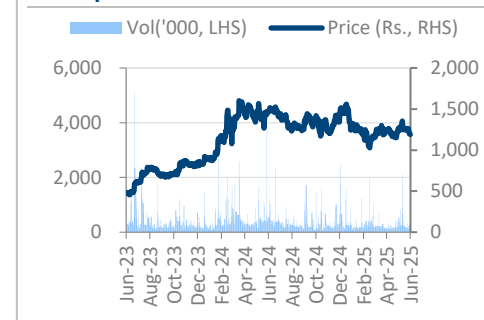
### Shareholding pattern (%)

Promoter	65.4
Pledged (as % of promoter share)	0.0
FII	10.5
DII	1.6
52Wk High/Low (Rs)	1560/1027
Shares o/s (m)	119
Del Value 3mth avg (US\$ m)	1.8
Dividend yield FY26ii (%)	0.0
Free float (%)	34.6

### Price performance (%)

	1M	3M	1Y
Absolute (Rs)	(5.7)	3.2	(19.6)
Absolute (US\$)	(6.3)	4.3	(21.9)
Relative Perf.	(10.1)	(15.6)	(23.1)
Cagr (%)	3 yrs	5 yrs	
EPS (Rs)	60.1	43.3	

### Stock performance



### Financial summary (Rs m)

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25A	FY26ii	FY27ii
Revenues (Rs m)	21,597	29,138	33,271	38,023	43,642
Ebitda margins (%)	11.2	14.4	15.5	14.7	14.9
Pre-exceptional PAT (Rs m)	1,949	3,434	4,193	4,019	4,726
Reported PAT (Rs m)	1,949	3,434	4,193	4,019	4,726
Pre-exceptional EPS (Rs)	16.4	28.8	35.2	33.7	39.7
Growth (%)	79.2	76.2	22.1	-4.1	17.6
PER (x)	72.6	41.2	33.7	35.2	29.9
ROE (%)	23.3	32.0	29.5	22.3	21.5
Net debt/equity (x)	0.0	(0.1)	0.0	(0.1)	(0.1)
EV/Ebitda (x)	58.1	33.6	27.4	25.2	21.4
Price/book (x)	15.4	11.5	8.8	7.1	5.8
OCF/Ebitda (x)	1.1	1.0	0.6	0.8	0.8

Source: Company, IIFL Research. Priced as on 16 June 2025

**Figure 1: Performance comparison of ACE**

	Revenue (Rs mn)				Revenue growth				Ebitda margin			
	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
ACE	16,296	21,597	29,138	33,271	32.8%	32.5%	34.9%	14.2%	9.3%	10.2%	13.8%	15.2%
BEML	41,430	38,392	40,543	40,222	16.5%	-7.3%	5.6%	-0.8%	7.5%	9.5%	10.9%	12.6%
Escorts Kubota	70,530	82,422	98,036	102,439	2.8%	16.9%	18.9%	4.5%	13.3%	9.5%	11.8%	11.4%
Ashoka Leyland	216,883	361,441	383,670	387,527	41.7%	66.7%	6.2%	1.0%	4.6%	8.1%	12.0%	12.7%
Tata Motors	472,637	657,573	733,031	694,190	56.6%	39.1%	11.5%	-5.3%	3.5%	7.3%	10.7%	11.5%
JCB India	117,235	151,092	186,072		0.9%	28.9%	23.2%		13.2%	13.0%	15.2%	
Hyundai Construction Equipment India	19,103	25,016	32,362		13.6%	31.0%	29.4%		2.3%	0.3%	5.1%	
Caterpillar India	79,103	117,390	119,272		82.2%	48.4%	1.6%		10.8%	8.2%	9.3%	
Komatsu India	26,114	34,370	41,565		49.1%	31.6%	20.9%		9.4%	14.4%	18.4%	

Source: Company, IIFL Research

**Figure 2: Return Ratio comparison of ACE**

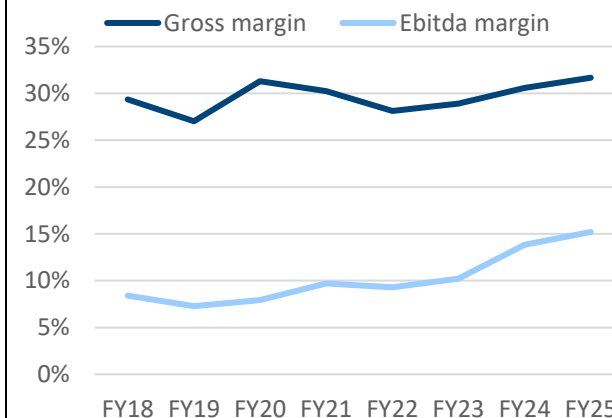
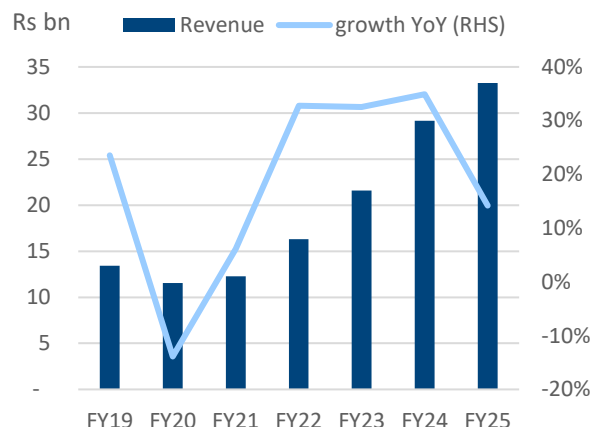
	PAT margin				ROE %				ROCE %			
	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
ACE	6.4%	8.0%	11.3%	12.3%	13.9	18.8	26.7	25.3	17.4	21.9	30.8	29.3
BEML	3.1%	4.1%	7.0%	7.3%	5.6	6.6	11.1	10.1	5.2	6.2	11.2	14.0
Escorts Kubota	10.4%	7.7%	9.6%	11.0%	11.7	8.1	10.0	10.8	11.6	8.1	9.6	8.9
Ashoka Leyland	2.5%	3.8%	6.8%	8.5%	0.5	17.4	33.2	32.9	3.0	20.8	36.1	36.7
Tata Motors	-3.6%	5.0%	7.3%	7.9%	(22.9)	5.4	17.7	16.3	(2.4)	5.1	34.9	14.3
JCB India	9.7%	9.6%	11.1%		29.9	34.1	51.5		38.9	43.7	65.0	
Hyundai Construction Equipment India	-0.1%	-2.2%	3.3%		(0.9)	(27.7)	35.7		5.0	(4.4)	24.9	
Caterpillar India	7.7%	6.2%	6.4%		10.8	12.3	11.5		15.2	14.2	14.6	
Komatsu India	4.4%	6.8%	13.4%		10.0	16.8	29.7		16.0	33.0	39.0	

Source: Company, IIFL Research

**Background:** Action Construction Equipment (ACE) established in 1995 by Mr Vijay Agarwal, has emerged as the dominant player in the mobile cranes market with 63% market share in pick and carry cranes and over 60% market share in tower cranes. It also offers construction equipment (lorry loaders, backhoe loaders etc), material handling equipment (forklifts) and agriculture equipments (tractors & harvesters). The company has large sales and service network, with over 100+ locations supported by 13 regional offices in India and also exports to over 37 countries across Middle East, Africa, Asia and Latin America.

### Management

Name	Designation
Vijay Agarwal	Chairman & MD
Sorab Agarwal	Whole Time Director
Rajan Luthra	Chief Financial Officer



### Assumptions

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25A	FY26ii	FY27ii
<b>Volume growth</b>					
Crane, CE, Mat Handling	18.7	34.7	14.7	9.5	11.0
Agricultural Equipment	(10.2)	(19.7)	(5.2)	5.0	5.0

Source: Company data, IIFL Research

### PE Chart



### EV/Ebitda



## Financial summary

### Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25A	FY26ii	FY27ii
<b>Revenues</b>	<b>21,597</b>	<b>29,138</b>	<b>33,271</b>	<b>38,023</b>	<b>43,642</b>
Ebitda	2,428	4,185	5,158	5,574	6,493
Depreciation and amortisation	(180)	(232)	(283)	(306)	(330)
Ebit	2,248	3,952	4,875	5,269	6,163
Non-operating income	411	771	1,003	400	500
Financial expense	(103)	(232)	(287)	(329)	(379)
PBT	2,556	4,492	5,591	5,339	6,284
Exceptionals	0	0	0	0	0
Reported PBT	2,556	4,492	5,591	5,339	6,284
Tax expense	(608)	(1,057)	(1,399)	(1,320)	(1,558)
PAT	1,949	3,434	4,193	4,019	4,726
Minorities, Associates etc.	0	0	0	0	0
<b>Attributable PAT</b>	<b>1,949</b>	<b>3,434</b>	<b>4,193</b>	<b>4,019</b>	<b>4,726</b>

### Ratio analysis

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25A	FY26ii	FY27ii
<b>Per share data (Rs)</b>					
Pre-exceptional EPS	16.4	28.8	35.2	33.7	39.7
DPS	1.0	0.0	0.0	0.0	0.0
BVPS	77.1	103.3	135.6	166.5	203.3
<b>Growth ratios (%)</b>					
Revenues	32.5	34.9	14.2	14.3	14.8
Ebitda	56.5	72.4	23.3	8.1	16.5
EPS	79.2	76.2	22.1	(4.1)	17.6
<b>Profitability ratios (%)</b>					
Ebitda margin	11.2	14.4	15.5	14.7	14.9
Ebit margin	10.4	13.6	14.7	13.9	14.1
Tax rate	23.8	23.5	25.0	24.7	24.8
Net profit margin	9.0	11.8	12.6	10.6	10.8
<b>Return ratios (%)</b>					
ROE	23.3	32.0	29.5	22.3	21.5
ROIC ex goodwill	20.7	30.1	27.0	23.0	23.2
<b>Solvency ratios (x)</b>					
Net debt-equity	0.0	(0.1)	0.0	(0.1)	(0.1)
Net debt to Ebitda	(0.2)	(0.3)	(0.1)	(0.2)	(0.5)
Interest coverage	21.9	17.1	17.0	16.0	16.3

Source: Company data, IIFL Research

### Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25A	FY26ii	FY27ii
Cash & cash equivalents	490	1,104	555	1,331	3,154
Inventories	4,185	5,534	5,151	5,887	6,757
Receivables	1,693	1,643	2,647	3,025	3,472
Other current assets	2,746	4,447	4,823	4,976	5,156
Creditors	5,009	6,880	8,086	9,241	10,607
Other current liabilities	1,557	2,257	2,412	2,757	3,164
<b>Net current assets</b>	<b>2,548</b>	<b>3,591</b>	<b>2,677</b>	<b>3,220</b>	<b>4,767</b>
Fixed assets	5,094	6,201	7,419	10,413	13,083
Intangibles	25	31	26	26	26
Investments	1,367	2,245	5,426	5,426	5,426
Other long-term assets	390	483	1,057	1,208	1,387
<b>Total net assets</b>	<b>9,424</b>	<b>12,551</b>	<b>16,606</b>	<b>20,293</b>	<b>24,689</b>
Borrowings	62	39	148	148	148
Other long-term liabilities	176	214	310	318	326
<b>Shareholders equity</b>	<b>9,186</b>	<b>12,298</b>	<b>16,147</b>	<b>19,828</b>	<b>24,215</b>
<b>Total liabilities</b>	<b>9,424</b>	<b>12,551</b>	<b>16,606</b>	<b>20,293</b>	<b>24,689</b>

### Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY23A	FY24A	FY25A	FY26ii	FY27ii
Ebit	2,248	3,952	4,875	5,269	6,163
Tax paid	(608)	(1,057)	(1,399)	(1,320)	(1,558)
Depreciation and amortization	180	232	283	306	330
Net working capital change	827	915	17	90	106
Other operating items	(29)	90	(799)	0	0
Operating cash flow before interest	2,618	4,132	2,977	4,344	5,041
Financial expense	(103)	(232)	(287)	(329)	(379)
Non-operating income	411	771	1,003	300	400
<b>Operating cash flow after interest</b>	<b>2,926</b>	<b>4,671</b>	<b>3,694</b>	<b>4,314</b>	<b>5,061</b>
<b>Capital expenditure</b>	<b>(466)</b>	<b>(1,181)</b>	<b>(1,496)</b>	<b>(3,300)</b>	<b>(3,000)</b>
Long-term investments	(564)	(884)	(3,176)	0	0
Others	(1,146)	(1,617)	845	0	0
<b>Free cash flow</b>	<b>751</b>	<b>989</b>	<b>(133)</b>	<b>1,014</b>	<b>2,061</b>
Equity raising	0	0	0	0	0
Borrowings	(333)	(255)	(177)	0	0
Dividend	(71)	(119)	(238)	(238)	(238)
Net chg in cash and equivalents	346	615	(549)	776	1,823

Source: Company data, IIFL Research

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#### Key to our recommendation structure

**BUY** - Stock expected to give a return 10%+ more than average return on a debt instrument over a 1-year horizon.

**SELL** - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

**Add** - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

**Reduce** - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

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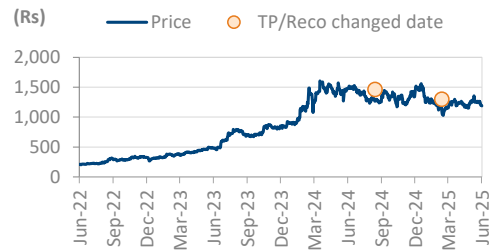
**Distribution of Ratings:** Out of 308 stocks rated in the IIFL coverage universe, 156 have BUY ratings, 4 have SELL ratings, 104 have ADD ratings, 1 have NR ratings and 43 have REDUCE ratings

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**Price Target:** Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

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**ACE: 3 year price and rating history**


Date	Rating	Close price (Rs)	Target price (Rs)	Upside (%)
27 Feb 2025	ADD	1146	1301	13.5
29 Aug 2024	ADD	1270	1465	15.3